

Received & Inspected
MAR 07 2014
FCC Mail Room

Carrier/Petitioner: Amazing Facts Ministry
Petition type: Economic burdensome petition for closed captioning.
Carrier Channel ID: AFTV (Amazing Facts Television)
Carrier Type: Satellite (G19) – Glorystar Channel 109

CGBCC-1332
CG Docket 06181

Carrier Info: Amazing Facts, Inc.
1203 West Sunset Blvd.
Rocklin, CA 95765

Carrier Contact: Brian Bazemore
Director of Broadcast Productions
Email: bbazemore@amazingfacts.org
Phone: 916.209.7239

ABOUT AFTV

Amazing Facts Television (AFTV) is the 24-7 satellite channel for the non-profit ministry of Amazing Facts. It features educational religious programming produced by Amazing Facts, along with programming from other non-profits. Amazing Facts receives no revenue from these other ministries for the airtime; it is provided free of charge. Meanwhile, Amazing Facts incurs \$238,200 annually in satellite uplink costs to keep AFTV operational.

PETITION REQUESTS

Request #1: Amazing Facts petitions the FCC to allow 842 TV programs to remain uncaptioned and still be broadcast on AFTV. (The 842 programs are listed by title and length in Appendix-A of this document.) Since February 1, 2014, Amazing Facts has been uploading new TV program files with captions to AFTV. These new programs are originally captioned for our national network and cable/satellite channel outlets.

Request #2: AFTV currently has 1,265 TV programs on its play out server. If required to caption every one for broadcast, AFTV would immediately lose 842 of its programs, leaving only 423 left to air. Currently, these 423 remaining programs on the server do not have captions, yet Amazing Facts possesses the caption files. Thus, Amazing Facts requests six months to prepare and re-produce these 423 TV programs with the caption files. (Note: This process will begin during the waiting period of adjudicating this exemption request.)

IMPACT OF CAPTIONS ON AFTV

Economic Impact and Burden to Amazing Facts: Amazing Facts' non-profit operations will be impacted by captions in two ways. First, the costs and workload to caption 842 programs would be severely prohibitive. Second, the broadcast department's weekly operations would require an additional staff member and put our weekly national network and local TV broadcast schedule at risk.

AFTV Impact #1: If AFTV is required to immediately caption all 1265 programs listed in Appendix-A before broadcast, as a non-profit educational ministry, it is possible that AFTV would have to shut down, while still being obligated to pay the satellite provider \$476,400 for the duration of the existing contract, a period of two years.

AFTV Impact #2: Amazing Facts broadcast staff—consisting of five workers, two of whom are editors—is not only responsible for all programming on AFTV, but also programming on contracted national networks and other satellite/cable channels. Each week the staff must produce and distribute a minimum of three new TV programs, which do receive captions prior to distribution, to meet our broadcast obligations. The primary outlets for these programs are contracted national networks and other cable channels. Captioning older AFTV programs would require the work of two-fulltime editors. Thus disrupting our weekly work schedule, a disruption that has the potential to cause losses of up to \$81,286.78 weekly. (This amount represents the weekly contracted costs to air on our major TV networks and cable outlets.) Due to an overloaded work schedule, we could miss our deadlines, which would cause us to lose out on our purchased airtime. For our staff to maintain our schedule and meet our weekly deadlines in addition to captioning older AFTV programming, we would need to hire another staff member, which would cost an additional \$64,000 a year, including benefits.

AMAZING FACTS MINISTRY OPERATIONS

Amazing Facts is a non-profit, multifaceted Christian ministry committed to teaching the Bible accurately and historically. It provides free resources, such as TV/radio programs, literature, Bible schools, training, websites, and live events to help the public better understand the Bible.

Amazing Facts major operations include producing two to three new TV programs weekly in a church studio and one radio program. These programs are edited each week by the broadcast department staff and then sent out to our regular media outlets. On each of these media programs, Amazing Facts offers a free gift—a book, DVD, or lesson guide. These offers must also be taped and edited into the programs before distribution. When a viewer responds to the offer, Amazing Facts develops a meaningful relationship with that viewer by sending additional free materials. The Amazing Facts publishing department, at a significant cost, produces all these resources. The ministry also offers viewers a 27-lesson Bible school and additional training as requested to inspire, inform, and encourage people from all backgrounds.

Other operations that support our main mission are the production of educational documentaries, commercials, live Bible seminars, both local and worldwide, our 24-7 satellite channel AFTV, Bible-based websites, and others.

Amazing Facts is supported solely by caring individuals who agree with our

mission and want to help others learn more about the Bible.

CLOSED CAPTIONING COSTS

Below are two quotes for captioning services. The first is from ABERDEEN CAPTIONING SERVICES, a company that supplies captioning services. The second is from COLLEEN TOWNSLEY, a private captioning service contractor.

ABERDEEN CAPTION RATES:

- One-hour program = \$360.00
- Half-hour program = \$180.00
- Fifteen minutes or less = \$120.00

COLLEEN TOWNSLEY RATES:

- One-hour program = \$240.00
- Half-hour program = \$120.00
- Fifteen minutes or less = \$60.00

TOTAL COSTS FOR PROGRAMS UNDER APPENDIX-A:

Aberdeen Cost			
Program Length	# of TV Programs	Cost Per Program	Total
1 hour	489	\$360.00	\$176,040
½ hour	338	\$180.00	\$60,840
15 minutes or less	15	\$120.00	\$1,800
		Grand Total:	\$238,680

Colleen Townsley Cost			
Program Length	# of TV Programs	Cost Per Program	Total
1 hour	489	\$240.00	\$117,360
½ hour	338	\$120.00	\$40,560
15 minutes or less	15	\$60.00	\$900
		Grand Total:	\$158,820

LABOR/COMPRESSION TIME COSTS: If required to caption each of the programs in Appendix-A, the following labor time and costs will apply:

The hourly labor rate is \$25.00 per hour

CAPTIONING PROCESS AND TIME

TV Program Length	Prep for Captioning (Compression)	Turn Around (Transcription delivery)	Quality Control (Grammar)	Create New AFTV file (compression)	Total Labor Hours
1 hour	30 minutes	5 to 7 days	1 hour	1.5 hours	3 hours
½ hour	30 minutes	4 to 5 days	½ hours	1.5 hours	2.5 hours
15	30 minutes	3 to 4 days	15 minute	1.5 hours	2 hours

minute					
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CAPTION LABOR COST

Program Length	Labor \$ (Hourly)	Total Labor Hours	Total Cost (per program)
1 hour	\$25.00	3	\$75.00
½ hour	\$25.00	2.5	\$62.50
15 minutes	\$25.00	2	\$50.00

LABOR COST – TOTAL

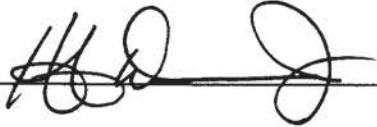
Program Type	# of Programs	Labor \$ Cost (Per Program)	Total Cost
1 hour	489	\$75.00	\$36,675
½ hour	338	\$62.50	\$21,125
15 minutes	15	\$50.00	\$750
		Labor Cost GRAND TOTAL	\$58,550

TOTAL COSTS

Caption Company	Total Labor Cost	Total Caption Cost	Grand Totals
Aberdeen	\$58,550	\$238,680	\$297,230.00
Colleen Townsley	\$58,550	\$158,820	\$217,370.00

AMAZING FACTS 2011 & 2012 FINANCIALS

All financial information for AMAZING FACTS INC. for year-end December 21, 2011 and 2012 is attached to this document. We expect to receive all of our audited financials for 2013 by May 2014.

Sign:  Date: 5 MAR 2014

Print: H. ALLEN DAVIS, JR.

Title: EXECUTIVE VICE PRESIDENT

CALIFORNIA JURAT WITH AFFIANT STATEMENT

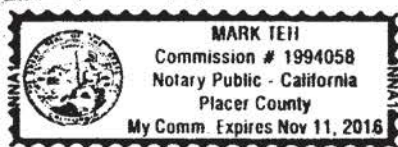
- ☒ See Attached Document (Notary to cross out lines 1-6 below)
☐ See Statement Below (Lines 1-5 to be completed only by document signer[s], *not* Notary)

Signature of Document Signer No. 1

Signature of Document Signer No. 2 (if any)

State of California

County of Placer



Subscribed and sworn to ~~(or affirmed)~~ before me on this
5th day of March, 2014, by

(1) H. Allen Davis, Jr.
Date Month Year
Name of Signer

proved to me on the basis of satisfactory evidence
to be the person who appeared before me ~~(1)~~

(and)
(2) _____
Name of Signer

proved to me on the basis of satisfactory evidence
to be the person who appeared before me.)

Signature _____
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Further Description of Any Attached Document

Title or Type of Document: Economic Burdensome

Document Date: 3-5-14 Number of Pages: 67

Signer(s) Other Than Named Above: None

RIGHT THUMBPRINT
OF SIGNER #1
Top of thumb here



RIGHT THUMBPRINT
OF SIGNER #2
Top of thumb here

CM TOWNSLEY
Transcription and Captioning

INVOICE

721 Bridge Lane
Newcastle CA 95658
Phone (530) 334-0329

INVOICE #0213001
DATE: FEBRUARY 6, 2013

TO:
Accounts Payable
Amazing Facts, Inc.
1203 W. Sunset Blvd.
Rocklin CA 95678
(916) 434-3880

FOR:
Transcription and Captioning

DESCRIPTION	PROJECTS	RATE	AMOUNT
ONE-HOUR SHOW CSH, EG, Special programs		240.00	
HALF-HOUR SHOW AFP		120.00	
15-MINUTE SHOW Special programs		60.00	
TOTAL			

Please make checks payable to Colleen Townsley

Price Quote

Account: Amazing Facts - USA
1203 West Sunset Blvd
Rocklin CA 95765-1305

Quote ID 02415
Status Open
Quote Good until: 03/29/2014

Quote Detail

Project Name: Closed Captioning Service
Ship Via:
Specifications:

Acct. Exec: MATT
Effective Date: 02/27/2014
Comments:

Line Items

Description	Qty	Unit	Unit Price	Line Total
Roll-Up Budget 15 minute program Budget roll-up captioning done in post-production with a transcriber and a caption editor, not by a live captioner. QC by transcriber only. Captions are placed in one position on the screen. Default positioning is at the bottom, left of the screen unless requested otherwise. No significant delay in captions, but some latency present. Accuracy rate is 98% or better. For more detail: http://knowledgebase.abercap.com/index.php?/article/AA-00436	1	EA	\$120.00	\$120.00
Roll-Up Budget 30 minute program Budget roll-up captioning done in post-production with a transcriber and a caption editor, not by a live captioner. QC by transcriber only. Captions are placed in one position on the screen. Default positioning is at the bottom, left of the screen unless requested otherwise. No significant delay in captions, but some latency present. Accuracy rate is 98% or better. For more detail: http://knowledgebase.abercap.com/index.php?/article/AA-00436	1	EA	\$180.00	\$180.00
Roll-Up Budget 60 minute program Budget roll-up captioning done in post-production with a transcriber and a caption editor, not by a live captioner. QC by transcriber only. Captions are placed in one position on the screen. Default positioning is at the bottom, left of the screen unless requested otherwise. No significant delay in captions, but some latency present. Accuracy rate is 98% or better. For more detail: http://knowledgebase.abercap.com/index.php?/article/AA-00436	1	EA	\$360.00	\$360.00

Payment Policy

One-time projects: Prepayment Required

Daily/Weekly/Continuous work contracts: Prepayment Required for two complete invoicing periods, after which Clients who meet a certain criteria may be switched to monthly invoice/billing (NET 15) on the first business day of the following month

Accepted forms of payment: Check thru ACH (physical check or ask for Aberdeen electronic form), Credit Card, Cash or Cashier's Check.

TRT/Pricing Guidelines: As per industry standards, TRT of each individual file will be rounded up to the next full minute for billing purposes. If TRT changes amount to more than a 10% increase in price over quote, Client will receive order confirmation with updated price total and Client's approval is needed to move forward. If TRT changes result in less than a 10% increase in price over quote, project will automatically be moved into production and client will see final price on order confirmation.

AMAZING FACTS, INC.

Financial Statements

Years ended December 31, 2012 and 2011



SEVENTH-DAY ADVENTIST CHURCH

AMAZING FACTS, INC.
Financial Statements
Years ended December 31, 2012 and 2011

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401 Taylor Boulevard
Pleasant Hill, CA 94523
Tel 925.685.4300
Fax 925.687.7707
www.gcasconnect.org

To the Board of Directors
Amazing Facts, Inc.
Rocklin, California

We have audited the accompanying consolidated financial statements of Amazing Facts, Inc. (Organization), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of changes in net assets and statements of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with United States of America accounting principles generally accepted by the Seventh-day Adventist denomination. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with United States of America auditing standards generally accepted by the Seventh-day Adventist denomination. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, as internal auditors of the General Conference of Seventh-day Adventists, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Amazing Facts, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with United States of America accounting principles generally accepted by the Seventh-day Adventist denomination.

General Conference Auditing Service

June 10, 2013

AMAZING FACTS, INC.
Consolidated Statements of Financial Position
December 31, 2012 and 2011

ASSETS	2012	2011
<u>Current assets</u>		
Cash and cash equivalents (Note 2)	\$ 5,546,133	9,620,448
Investments (Note 3)	5,248,964	346,425
Accounts receivable, net (Note 4)	137,422	208,101
Notes receivable - current portion (Note 5)	305,220	278,715
Inventory and supplies (Note 6)	1,099,401	1,080,098
Prepaid expenses	101,443	116,485
Total current assets	<u>12,438,583</u>	<u>11,650,272</u>
 <u>Plant assets, net (Note 7)</u>	 <u>6,864,209</u>	 <u>6,399,539</u>
 <u>Other assets</u>		
Notes receivable - long term (Note 5)	2,407,047	2,731,163
Split interests receivable (Note 8)	1,769,093	1,831,718
Irrevocable trust assets	336,193	317,804
Real estate and miscellaneous (Note 9)	903,760	876,272
Cash and investments - nonoperating (Note 2)	448,381	-
Total other assets	<u>5,864,474</u>	<u>5,756,957</u>
Total assets	<u>\$ 25,167,266</u>	<u>23,806,768</u>
 LIABILITIES		
<u>Current liabilities</u>		
Accounts payable (Note 10)	\$ 785,060	904,482
Unearned income	61,547	116,576
Notes payable - current portion (Note 11)	25,000	25,000
Total current liabilities	<u>871,607</u>	<u>1,046,058</u>
 <u>Other liabilities</u>		
Accounts payable - long term (Note 10)	62,092	56,216
Notes payable - long term (Note 11)	4,165	4,165
Accounts payable - nonoperating (Note 10)	48,804	-
Total other liabilities	<u>115,061</u>	<u>60,381</u>
Total liabilities	<u>986,668</u>	<u>1,106,439</u>
 NET ASSETS		
Unrestricted: unallocated	13,286,503	12,095,261
Unrestricted: net invested in plant	6,864,209	6,399,539
Total unrestricted	<u>20,150,712</u>	<u>18,494,800</u>
Temporarily restricted (Note 12)	4,029,886	4,205,529
Total net assets	<u>24,180,598</u>	<u>22,700,329</u>
Total liabilities and net assets	<u>\$ 25,167,266</u>	<u>23,806,768</u>

See accompanying notes.

AMAZING FACTS, INC.
Consolidated Statements of Changes in Net Assets, page 1 of 2
Years ended December 31, 2012 and 2011

CHANGES IN UNRESTRICTED NET ASSETS	2012	2011
<u>Income from operations</u>		
Total sales	\$ 2,173,765	2,296,584
Less: cost of goods sold	(972,471)	(1,255,456)
Gross profit on sales	<u>1,201,294</u>	<u>1,041,128</u>
<u>Unrestricted revenues and support</u>		
Donations - direct mail	10,714,140	10,613,164
Donations - listeners and viewers	181,178	399,371
Donations - other	151,318	82,596
Evangelistic crusade income	311,346	459,150
Weimar support services	-	13,511
Matured deferred gifts	1,492,647	1,160,570
Investment earnings	19,547	(11,484)
Other operating income	590,678	825,516
Total unrestricted revenues	<u>14,662,148</u>	<u>14,583,522</u>
Released from restrictions (Note 12)	<u>1,528,292</u>	<u>1,162,752</u>
Total unrestricted revenues and support	<u>16,190,440</u>	<u>15,746,274</u>
<u>Expenses and losses</u>		
<u>Program services</u>		
Bible school	456,669	410,786
Center of evangelism - AFCOE	852,988	976,578
Field evangelism	610,716	855,551
Evangelism and meetings	580,873	503,368
Publishing	1,673,571	1,675,165
Studio and media	4,229,840	4,204,024
Creative	1,011,796	559,019
Total program services function	<u>9,416,453</u>	<u>9,184,491</u>
<u>Support services</u>		
Management and general	2,629,849	2,699,388
Fund raising	2,467,268	2,358,736
Total supporting services function	<u>5,097,117</u>	<u>5,058,124</u>
Total expenses and losses	<u>14,513,570</u>	<u>14,242,615</u>
Net increase (decrease) from operations	<u>1,676,870</u>	<u>1,503,659</u>
<u>Nonoperating activity</u>		
Nonoperating revenue (Note 13)	5,033	5,110
Nonoperating expense (Note 13)	(25,625)	(17,231)
Net increase (decrease) from nonoperating activity	<u>(20,592)</u>	<u>(12,121)</u>
Increase (decrease) unrestricted net assets	<u>1,656,278</u>	<u>1,491,538</u>

See accompanying notes.

AMAZING FACTS, INC.
Consolidated Statements of Changes in Net Assets, page 2 of 2
Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Increase (decrease) unrestricted net assets	\$ <u>1,656,278</u>	<u>1,491,538</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Restricted donations	1,396,520	994,874
Change in value of split interest agreements	<u>(44,237)</u>	<u>(212,254)</u>
Restricted income received (Note 12)	1,352,283	782,620
Released from restrictions (Note 12)	<u>(1,528,292)</u>	<u>(1,162,752)</u>
Increase (decrease) temporarily restricted net assets	<u>(176,009)</u>	<u>(380,132)</u>
Increase (decrease) net assets	1,480,269	1,111,406
Net assets, beginning of year	<u>22,700,329</u>	<u>21,588,923</u>
Net assets, end of year	\$ <u><u>24,180,598</u></u>	<u><u>22,700,329</u></u>

See accompanying notes.

AMAZING FACTS, INC.
Statements of Cash Flows
Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 1,480,269	1,111,406
Adjustments to reconcile change in net assets to net cash provided:		
Depreciation expense	246,290	249,382
Provision for uncollectable accounts	(10,000)	7,000
(Gain) loss on disposal of assets	7,432	85,105
(Gain) loss on sale of other assets	1,302	-
Unrealized (gain) loss in market value	(1,095)	1,299
Noncash gifts	(32,389)	(83,101)
Change in gift annuities receivable	62,626	194,205
(Increase) decrease accounts receivable	80,679	(20,036)
(Increase) decrease inventory and supplies	(19,303)	(166,532)
(Increase) decrease prepaid expense	15,042	631
(Increase) decrease irrevocable trust assets	(18,389)	18,050
(Increase) decrease other than operating assets	(448,381)	-
Increase (decrease) accounts payable	(64,742)	64,559
Increase (decrease) unearned income	(55,028)	58,200
Net cash provided (used) from operating	<u>1,244,313</u>	<u>1,520,168</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	170,624	9,324,975
Purchases of investments	(5,072,069)	(3,500,467)
Purchases of plant assets	(718,392)	(161,027)
Proceeds from disposal of plant assets	-	(81,787)
Proceeds from sale of nonoperating assets	3,598	93,895
New notes receivable issued	-	(182,668)
Payments received on notes receivable	297,611	271,625
Net cash provided (used) from investing	<u>(5,318,628)</u>	<u>5,764,546</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	-	(58,000)
Net cash provided (used) from financing	<u>-</u>	<u>(58,000)</u>
Net increase (decrease) cash and cash equivalents	(4,074,315)	7,226,714
Cash and cash equivalents, beginning of year	9,620,448	2,393,734
Cash and cash equivalents, end of year	<u>\$ 5,546,133</u>	<u>9,620,448</u>

Supplemental cash flow data:
No interest was paid during 2012 and 2011.

See accompanying notes.

AMAZING FACTS, INC.
Notes to the Consolidated Financial Statements
Years ended December 31, 2012 and 2011

Note 1 – Organizational description and summary of significant accounting policies

Organizational description

Amazing Facts, Inc. (Organization) is a Christian ministry dedicated to sharing the gospel of Jesus Christ to the entire world through television, radio, literature, live Bible and prophecy events, the internet, and evangelism training.

To carry out its ministry activities, the Organization created wholly-owned subsidiaries that are consolidated with the Organization's financial statements. Amazing Facts Holding Company was formed to receive gifts of real property. Moriah Media Corporation was formed to purchase media time for the Organization. Significant transactions are eliminated in the process of preparing the Organization's financial statements.

The Organization is a religious not-for-profit organization, and is exempt from federal, state, and local income taxes under provision of Section 501(c)(3) of the Internal Revenue Code, and corresponding sections of applicable state and local codes; except for taxes on unrelated business income as described in Sections 511-514 of the Internal Revenue Code.

Summary of significant accounting policies

(a) The significant accounting policies of the Organization are essentially the same as generally accepted accounting principles for not-for-profit organizations as promulgated by the Financial Accounting Standards Board. The significant policies have been described below to enhance the usefulness of the financial statements to the reader. The financial statements of the Organization have been prepared on the accrual basis of accounting. In conformity with the accrual basis of accounting, the Organization has evaluated events that occurred subsequent to the financial statement date, up to June 10, 2013, which is the date the financial statements were issued or available to be issued.

(b) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Restricted resources: The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Changes in Net Assets as Net Assets released from restrictions.

The Organization reports gifts of land, building, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

AMAZING FACTS, INC.
Notes to the Consolidated Financial Statements
Years ended December 31, 2012 and 2011

Note 1 – Organizational description and summary of significant accounting policies (continued)

(d) Plant assets and depreciation: Uses of operating funds for plant acquisitions and debt service payments are accounted for as cash flows from investing activities. Restricted proceeds from sale of assets and restricted income from plant investments are recorded as restricted support. Interest payments made to retire plant fund indebtedness are recorded as nonoperating expense. Plant assets are recorded at cost when purchased or at fair market value at date of gift. Depreciation of land improvements, buildings, and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. The useful lives used are the following: land improvements, 10 to 20 years; buildings, 15 to 60 years; and equipment, 3 to 10 years. Depreciation expense is recorded as operating expense in the Statement of Changes in Net Assets. Assets are recorded as plant assets when their cost exceeds \$500.

(e) Cash and cash equivalents: Cash equivalents are highly liquid assets of the operating funds, which are readily convertible to cash and have a maturity date of less than three months from date of acquisition.

(f) Fair value of financial instruments: the methods and assumptions used to estimate fair values:

Short-term financial instruments are valued at their carrying amounts included in the Statement of Financial Position, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments. This applies to cash, cash equivalents, accounts receivable, and certain current liabilities.

Investment securities are valued at the quoted market price or other reasonably obtainable market value estimate at the reporting date for those or similar securities. The difference between aggregate market value and cost for each type of investment is recorded in a valuation account. The change in this account each year is recognized as a gain or loss.

Notes receivable and notes payable are valued at the amortized amount at the reporting date. An allowance has been made for notes which are not expected to be repaid. The net total approximates the discounted value of future cash flows expected to be received or paid. Because of the difficulty and inherent subjectivity involved in determining fair values, which are not susceptible to independent substantiation, management has not attempted to estimate the fair value of loans receivable from related or affiliated entities. Such loans, by intent and practice, are expected to be held to maturity and are valued at face value.

(g) Current assets and current liabilities: Assets and liabilities are classified as current, when appropriate. This excludes from current assets, cash and claims to cash which are: restricted as to withdrawal or use for other than current operations; are board-allocated for expenditure in the acquisition or construction of plant assets or for the liquidation of plant fund debt, or held as agent for others. This excludes from current liabilities: long-term portion of all debt, plant debt payable within the next fiscal year to the extent covered by designated plant fund liquid assets, or amounts held as fiscal agent for others. Working capital (current assets less current liabilities) for the Organization usually reflects operating working capital since no plant-related assets or liabilities are classified as current.

(h) Investment income: Investment income is accounted for as unrestricted nonoperating income.

AMAZING FACTS, INC.
Notes to the Consolidated Financial Statements
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Note 1 – Organizational description and summary of significant accounting policies (continued)

(i) Accounts receivable: Accounts receivable are shown at the amounts due from vendors for unpaid charges. Interest is charged on accounts that are overdue. An overdue account is defined as an account that has not been paid for 30 days or greater. An allowance for uncollectable accounts is recorded for amounts based on the Organization's historical experience. When an account is deemed uncollectable, it is written off against the allowance for uncollectable accounts.

(j) Inventory and supplies: Inventory is stated at the lower of cost or market value, under the average cost method. Merchandise and materials held for sale are classified as inventory. Supplies held for consumption are classified as inventory.

(k) Related organizations: The Organization is affiliated with the following organizations:

Pacific Union Conference of Seventh-day Adventists (PUC). PUC is the organization responsible for church activities in the states of Arizona, California, Hawaii, Nevada, and Utah. The PUC determines remuneration and other policies for institutions within the above states in accordance with General Conference of Seventh-day Adventists (GC) and North American Division of Seventh-day Adventists (NAD) policies. Officers of the PUC are on the Organization's board.

Northern California Conference of Seventh-day Adventists (NCC). NCC is the organization responsible for church activities within the territory which the Organization serves. NCC is affiliated with the Organization by reason of the following circumstances:

The officers of NCC, and certain other NCC staff are members of the Organization's Board of Trustees. The NCC president is the chairman of the Organization's Board of Trustees.

(l) Concentrations of risk: The Organization receives most of its operating revenue from donations and sales of merchandise. It is subject to the effect of economic trends that may decrease the financial ability of donors and customers.

Total cash balances in interest-earning accounts are insured by the FDIC up to \$250,000 per bank. The Organization held cash balances on deposit with three banks at December 31, 2012, which exceeded the balance insured by the FDIC by \$1,478,384.

(m) Reclassifications: Certain prior-year amounts have been reclassified to conform with current year classifications.

AMAZING FACTS, INC.
Notes to the Consolidated Financial Statements
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Note 2 – Cash and cash equivalents

	<u>2012</u>	<u>2011</u>
<u>Operating Funds</u>		
Imprest cash	\$ 1,694	6,106
Checking	1,974,969	2,086,059
Savings	1,086,826	1,448,283
Unprocessed donations on hand	2,400	180,107
Money market	<u>2,480,244</u>	<u>5,899,893</u>
Total operating cash and cash equivalents	<u>\$ 5,546,133</u>	<u>9,620,448</u>
<u>Nonoperating funds</u>		
Checking	\$ 447,441	-
Savings	<u>940</u>	<u>-</u>
Total nonoperating cash and cash equivalents	<u>\$ 448,381</u>	<u>-</u>

Note 3 – Investments - operating fund

	<u>2012</u>	
<u>Carrying amount and fair value</u>	<u>Cost</u>	<u>Market</u>
<u>Investments held for operating purposes</u>		
Certificate of deposit	\$ 209,879	209,879
Government securities	4,992,000	4,993,094
Mutual funds	45,991	45,991
Total	<u>\$ 5,247,870</u>	<u>5,248,964</u>

	<u>2011</u>	
<u>Carrying amount and fair value</u>	<u>Cost</u>	<u>Market</u>
<u>Investments held for operating purposes</u>		
Certificate of deposit	\$ 346,425	346,425
Total	<u>\$ 346,425</u>	<u>346,425</u>

Composition of investment return

	<u>2012</u>	<u>2011</u>
Investment income (interest and dividends)	\$ 20,660	16,714
Realized gain (loss) on sale	189	916
Bond amortization	(2,800)	(53,456)
Unrealized gain (loss) in value of investments	<u>1,094</u>	<u>(1,299)</u>
Net gain (loss) on investments		
for which carrying value is fair value	<u>(1,517)</u>	<u>(53,839)</u>
Total investment return	<u>\$ 19,143</u>	<u>(37,125)</u>

AMAZING FACTS, INC.
Notes to the Consolidated Financial Statements
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Note 3 – Investments - operating fund (continued)

The Organization did not have any gain or loss on investments for which carrying value is not fair value.

The Organization is subject to accounting principles that require disclosure about the information used to determine fair values for assets and liabilities that are subject to fair value accounting on either a recurring or nonrecurring basis. This information is separated into three "levels" of input, as follows:

Level 1: Observable quoted market prices in active markets for identical assets or liabilities.

Level 2: Direct or indirect observable market data, such as quoted prices in inactive markets for identical assets or liabilities, quoted prices in active markets for similar assets or liabilities, and other observable market data correlated to identical or similar assets or liabilities.

Level 3: Unobservable input and assumptions based on the best information available to the entity.

The Organization used the following inputs to determine fair values of assets valued on a recurring basis:

		2012		
		Level 1	Level 2	Level 3
Government securities	\$	4,993,094	-	-
Mutual funds		45,991		
Total	\$	<u>4,993,094</u>	<u>-</u>	<u>-</u>

Note 4 – Accounts receivable

		2012	2011
Affiliated entities	\$	42,931	56,392
Commercial receivable		81,517	93,087
Miscellaneous		17,974	73,622
Total accounts receivable		142,422	223,101
(Less): allowance for doubtful accounts		(5,000)	(15,000)
Net accounts receivable	\$	<u>137,422</u>	<u>208,101</u>

Note 5 – Notes receivable

		Current	Long Term	2012	2011
Weimar note, secured by deed of trust, 3%, due 2013	\$	300,000	2,348,653	2,648,653	2,942,000
Eimer note, secured by deed of trust thru NAD, 7.0%, due 2014		1,133	28,056	29,189	30,245
Fischer (Coyote Land Mgmt.) note, secured by deed of trust thru Fidelity, 9.0%, due 2023		4,087	30,338	34,425	37,633
Total operating notes receivable	\$	<u>305,220</u>	<u>2,407,047</u>	<u>2,712,267</u>	<u>3,009,878</u>

AMAZING FACTS, INC.
Notes to the Consolidated Financial Statements
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Note 6 – Inventory and supplies

	<u>2012</u>	<u>2011</u>
Books	\$ 775,752	651,450
Study guides	136,336	203,042
Office supplies and miscellaneous	65,730	66,924
Compact discs and videos	121,583	158,682
Total inventory and supplies	<u>\$ 1,099,401</u>	<u>1,080,098</u>

Note 7 – Plant assets

	<u>Total Cost</u>	<u>Accum Depr</u>	<u>Net Value</u>	<u>Depr Expense</u>
<u>Balances 2012</u>				
Land	\$ 5,590,005	-	5,590,005	-
Land improvements	264,054	264,054	-	-
Buildings	1,005,719	302,579	703,140	23,834
Equipment	1,837,649	1,578,694	258,955	139,314
Vehicles	29,818	29,818	-	-
Donor direct software	314,949	192,948	122,001	83,142
Construction in progress	190,108	-	190,108	-
Total 2012	<u>\$ 9,232,302</u>	<u>2,368,093</u>	<u>6,864,209</u>	<u>246,290</u>

	<u>Total Cost</u>	<u>Accum Depr</u>	<u>Net Value</u>	<u>Depr Expense</u>
<u>Balances 2011</u>				
Land	\$ 5,590,005	-	5,590,005	-
Land improvements	264,054	264,054	-	7,446
Buildings	707,692	278,745	428,947	26,238
Equipment	1,738,384	1,504,667	233,717	164,948
Vehicles	29,818	29,818	-	-
Donor direct software	256,677	109,807	146,870	50,750
Total 2011	<u>\$ 8,586,630</u>	<u>2,187,091</u>	<u>6,399,539</u>	<u>249,382</u>

	<u>Cost 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Cost 2012</u>
<u>Changes in cost, 2012</u>				
Land	\$ 5,590,005	-	-	5,590,005
Land improvements	264,054	-	-	264,054
Buildings	707,692	298,027	-	1,005,719
Equipment	1,738,384	171,984	72,719	1,837,649
Vehicles	29,818	-	-	29,818
Donor direct software	256,677	58,272	-	314,949
Construction in progress	-	190,108	-	190,108
Total 2012	<u>\$ 8,586,630</u>	<u>718,391</u>	<u>72,719</u>	<u>9,232,302</u>

AMAZING FACTS, INC.
Notes to the Consolidated Statements
Years ended December 31, 2012 and 2011

Note 7 – Plant assets (continued)

	Accumulated Depreciation 2011	Additions	Deletions	Accumulated Depreciation 2012
<u>Changes in accumulated depreciation, 2012</u>				
Land improvements	\$ 264,054	-	-	264,054
Buildings	278,745	23,834	-	302,579
Equipment	1,504,667	139,314	65,288	1,578,693
Vehicles	29,818	-	-	29,818
Donor direct software	109,807	83,142	-	192,949
Total 2012	<u>\$ 2,187,091</u>	<u>246,290</u>	<u>65,288</u>	<u>2,368,093</u>

Note 8 – Split interest agreements

The Organization is a beneficiary of certain annuities owned and administered by Western Adventist Foundation (WAF). The annuities written by WAF which benefit the Organization are guaranteed by the Organization. The present value of the payments to the annuitants guaranteed by the Organization is \$7,718,378 and \$7,619,442 for the years ended December 31, 2012 and 2011, respectively. The actuarially computed charitable remainder value of these assets was \$1,769,093 and \$1,831,718 at December 31, 2012 and 2011, respectively.

The Organization is a beneficiary of certain charitable gift annuities owned and administered by Columbia Union Conference of Seventh-day Adventists, Pacific Union Conference of Seventh-day Adventists, and Hawaii Conference of Seventh-day Adventists. Also, the Organization may be beneficiary of other annuities of which it may not be aware.

As of December 31, 2012 and 2011, the Organization was a named beneficiary for 513 and 464 charitable remainder trusts and 8 and 8 unconditional irrevocable trusts, respectively, for which WAF is both the trustee and administrator. Accordingly, the Organization has recorded a beneficial interest in accordance with accounting principles generally accepted by the denomination. Also, the Organization may be a beneficiary of trusts administered by other trustees, of which the Organization may not be aware.

Note 9 – Real estate and miscellaneous

	2012	2011
<u>Gift property</u>		
Arizona	\$ 169,500	169,500
California	430,000	430,000
Florida	2,600	2,600
Maryland	570	570
Michigan	1,800	1,800
Oregon	182,000	182,000
Miscellaneous	117,290	89,802
Total real estate and miscellaneous	<u>\$ 903,760</u>	<u>876,272</u>

AMAZING FACTS, INC.
Notes to the Consolidated Financial Statements
Years ended December 31, 2012 and 2011

Note 10 – Accounts payable

	<u>2012</u>	<u>2011</u>
<u>Current</u>		
Trade accounts payable	\$ 218,685	359,101
Adventist Risk Management	(534)	13,637
Northern California Conference	21,217	2,101
Western Adventist Foundation	22,707	22,524
Other SDA entities	48,930	80,661
Accrued salaries and related expenses	171,930	202,153
Accrued compensated absences	219,685	162,904
Accrued healthcare expense	29,818	61,368
Miscellaneous payables	52,622	33
Total current accounts payable	<u>\$ 785,060</u>	<u>904,482</u>
<u>Long-term</u>		
Accrued retirement allowance	\$ 62,092	56,216
Trade accounts payable - nonoperating	48,804	-
Total long-term accounts payable	<u>\$ 110,896</u>	<u>56,216</u>

Note 11 – Notes payable

	<u>Current</u>	<u>Long-term</u>	<u>2012</u>	<u>2011</u>
Unsecured demand notes payable	\$ 25,000	-	25,000	25,000
Chesapeake Conference of Seventh-day Adventists	-	4,165	4,165	4,165
Total notes payable	<u>\$ 25,000</u>	<u>4,165</u>	<u>29,165</u>	<u>29,165</u>

AMAZING FACTS, INC.
Notes to the Consolidated Financial Statements
Years ended December 31, 2012 and 2011

Note 12 – Temporarily restricted net assets

	<u>Balance</u> <u>12/31/11</u>	<u>Restricted</u> <u>Income</u>	<u>Restrictions</u> <u>Released</u>	<u>Balance</u> <u>12/31/12</u>
2008 meetings	\$ 115,174	-	50,000	65,174
AFCOE donations	-	11,874	11,874	-
AFCOE India	32,857	24,058	56,915	-
AFCOE Philippines	86,662	8,950	84,407	11,205
AFCOE mission project	-	2,300	2,300	-
AFCOE international	51,216	2,206	36,805	16,617
AFCOE scholarship fund	3,048	22,456	13,264	12,240
AFCOE student aide fund	17,417	703	8,791	9,329
AFCOE world bible worker	-	2,526	2,526	-
Beast dragon woman	11,857	-	-	11,857
Bible school donations	-	26,540	26,540	-
Bible school student donations	-	760	760	-
Cantonese bible donations	-	60,100	10,000	50,100
CD/DVD projects	-	5	5	-
China donations	30,426	322,274	191,972	160,728
Crews Memorial Fund	4,149	-	1,200	2,949
Emergency relief fund	40,398	-	-	40,398
Equity sharing housing	80,000	-	-	80,000
Evang. reg. overseas	4,916	-	-	4,916
Evangelism-Hargreaves	7,611	1,000	-	8,611
Evangelists equipment	21,959	-	-	21,959
Foreign bible/literature	4,965	5,033	4,996	5,002
Foreign missions	2,365	-	-	2,365
Good Samaritan program	1,527	1,707	479	2,755
Great controversy project	503,093	93,997	583,974	13,116
Health DVD project	9,911	-	-	9,911
Health program donate	16,998	-	-	16,998
India fund	1,287	6,950	8,237	-
Internet ministries	-	55,166	55,166	-
Kids amazing adventure	41,209	-	-	41,209
KWHO radio equipment	250	-	-	250
Mexico project donations	72,367	-	32,181	40,186
MIQ project	13,751	160	-	13,911
Muslim evangelism	125,262	2,400	6,791	120,871
Operation prophecy priority	16,409	-	-	16,409
Overseas evangelism	105,941	3,102	-	109,043
Prophetic video series	1,681	-	-	1,681
Priebe meeting donations	-	2,200	-	2,200
Publishing projects	5,460	1,502	-	6,962
Reclaim your faith	87,379	30,093	66,526	50,946
Romania evangelism	5,815	-	-	5,815

AMAZING FACTS, INC.
Notes to the Consolidated Financial Statements
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Note 12 – Temporarily restricted net assets (continued)

	Balance 12/31/11	Restricted Income	Restrictions Released	Balance 12/31/12
Russia evangelism	\$ 19,109	-	-	19,109
Russia great controversy	15,120	-	-	15,120
Salvation to the cities	39,965	-	-	39,965
Sanctuary magazine	3,960	150	-	4,110
Satellite network - AFTV	137,481	10,313	147,794	-
Studio capital campaign	18,213	18,385	36,598	-
Satellite network station	127,595	-	-	127,595
Sirius XM radio donations	22,200	2,408	15,750	8,858
Sierra college capital campaign	-	1,500	1,500	-
Ten commandment day	31,681	-	-	31,681
Translation to foreign languages	-	4,060	-	4,060
TV radio time donations	-	7,290	7,290	-
Venezuela truck project	5,762	-	-	5,762
Weimar projects	17,818	10,000	-	27,818
Weimar general donations	52,835	-	-	52,835
Wells in Central America	-	1,100	-	1,100
Youth program - ultimate purpose	-	74,093	63,651	10,442
Sub-total Amazing Facts	<u>2,056,007</u>	<u>817,361</u>	<u>1,528,292</u>	<u>1,345,442</u>
Irrevocable trusts	370,485	18,389	-	388,874
Annuities	<u>1,779,037</u>	<u>(62,626)</u>	<u>-</u>	<u>1,716,411</u>
Sub-total irrevocable trust and annuity	<u>2,149,522</u>	<u>(44,237)</u>	<u>-</u>	<u>2,105,285</u>
EPI center	-	579,159	-	579,159
Sub-total capital projects	<u>-</u>	<u>579,159</u>	<u>-</u>	<u>579,159</u>
Total temporarily restricted net assets	<u>\$ 4,205,529</u>	<u>1,352,283</u>	<u>1,528,292</u>	<u>4,029,886</u>

Note 13 – Nonoperating activity

	2012	2011
Miscellaneous income	\$ 5,033	5,110
Total nonoperating revenue	<u>\$ 5,033</u>	<u>5,110</u>
Plant related expenses - holding company	\$ (9,152)	(14,228)
Property taxes - EPI	(16,473)	-
Trustor care and medical expenses	-	(3,003)
Total nonoperating expense	<u>\$ (25,625)</u>	<u>(17,231)</u>